

## ABSTRACT

This research aims to discover and analyze the influence of (foreign investment) PMA and local investment (PMDN) to economic growth in the province of East Java. This research was done because in East Java, development of investment is quite rapidly, and economic growth that is above the growth of national economy. However, investment in the province of East Java is not spread evenly across the residence or city. Thus this study will analyze more deeply whether investment PMA and PMDN in East Java to economic growth. Further research is also underway to find out if the quality of manpower East Java to economic growth.

The approach used in this study is descriptive stocastic. Quantitative approach is done by of calculation of mathematical model using . Econometrics method used in this research are Ordinary Least Square regression model. This model is simple: look at the relationships between variables.

The results shows that Investment PMA do not affect positively to economic growth in East Java province, 1994 until 2010 year, whereas the local Investment (PMDN) and labor quality partially affect positively to economic growth. Lastly, the variable PMA, PMDN and quality Manpower together affect positively to economic growth in East Java province, 1994 until 2010 year.

East Java has not provided a conducive climate for foreign investors, especially from the period 1994 till 2010. This is because the implementation of regional autonomy since 2001 has worsened the investment climate in Indonesia, which then impact on the aggregate decline in Foreign Direct Investment in East Java. The low public services, lack of legal certainty and various local regulations (law) is not "pro-business" is identified as the evidence that is not conducive business climate. encourage the growth of domestic investment in East Java is the level of taxes and levies in East Java is quite low compared to other regions in Indonesia. number of quality manpower with primary education are absorbed in the agricultural sector. So the quality of the workforce in the agricultural sector does not require skill / high skill in formal education.

**Keywords:** (foreign investment) PMA, local investment (PMDN), Manpower Quality, Economic Growth.